

**REPORT OF THE AUDIT OF THE  
HARDIN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HARDIN COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2009**

The Auditor of Public Accounts has completed the Hardin County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

**Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Hardin County Sheriff had total receipts of \$3,230,629, which was a \$244,821 decrease from the prior year. Except for reimbursed expenses in the amount of \$1,640,922 which includes fiscal court contributions of \$645,251, the sheriff paid 25% of receipts to the Hardin County Fiscal Court in the amount of \$326,719. This was a decrease of \$961 from the prior year. In addition, operating fund expenditures increased by \$46,510.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

July 8, 2010

HARDIN COUNTY  
CHARLES A. WILLIAMS, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

Federal Grants		\$	180,894
State Grants			6,392
State Fees for Services			567,887
Circuit Court Clerk			56,848
Fiscal Court			645,251
County Clerk			1,762
Commission on Taxes			1,184,901
Fees Collected for Services:			
Auto Inspections	\$	47,405	
Accident /Police Reports		1,659	
Serving Papers		232,707	
Executions		5,796	
Concealed Weapon License Fees		25,405	312,972
Other Revenues:			
10% Add-On Fees		244,086	
Juror Meals		726	
Interest Earned		173	
Miscellaneous and Refunds		28,737	273,722
Total Revenues			3,230,629

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 CHARLES A. WILLIAMS, SHERIFF  
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures

Other Expenditures:

Reimbursements	\$	28,327	
Juror Meals		726	
Executions		5,351	
Extraditions		72,728	
Federal Grant		175,698	

Total Expenditures		\$	282,830
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Net Revenues			2,947,799
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Payments to State Treasurer:

75% Operating Fund *	2,621,080		
25% County Fund	326,719		
			2,947,799

Balance Due at Completion of Audit		\$	0
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\* Includes reimbursed expenses in the amount of \$1,640,922 for the audit period. See Note 1 of Notes to Financial Statements.

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 CHARLES A. WILLIAMS, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2009

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2009 (Restated)	\$ 454,054	\$ 173,050	\$ 627,104
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	2,621,080		2,621,080
Fees Paid to State - County Funds (25%)		326,719	326,719
Total Funds Available	3,075,134	499,769	3,574,903
<u>Expenditures</u>			
Hardin County Fiscal Court	\$	\$ 316,018	\$ 316,018
Personnel Services-			
Officials Statutory Maximum	100,548		100,548
Officials Incentive Training Pay	3,528		3,528
Deputies' Salaries	1,537,313		1,537,313
Employee Benefits-			
Employer's Share Social Security	112,631		112,631
Employer's Share Retirement	469,564		469,564
Employer's Paid Health Insurance	196,003		196,003
Employer's Paid Life Insurance	937		937
Contracted Services-			
Advertising	935		935
Benefit Fees	1,466		1,466
Computer Services	33,521		33,521
Materials and Supplies-			
Office Materials and Supplies	16,843		16,843
Uniforms	7,903		7,903
Uniform Maintenance	4,503		4,503
Law Enforcement Supplies	10,749		10,749
Other Charges-			
Training	7,910		7,910
Dues and Insurance	63,379		63,379
Postage	26,215		26,215

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
 CHARLES A. WILLIAMS, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges- (Continued)			
Radio Maintenance	\$ 7,323	\$	\$ 7,323
Telephone	7,415		7,415
Video Arraignment	3,244		3,244
Auto Expenses-			
Gasoline	60,891		60,891
Maintenance and Repairs	34,796		34,796
Tires	3,467		3,467
Capital Outlay-			
Office Equipment	1,888		1,888
Computer Hardware	4,205		4,205
Equipment	26,799		26,799
Vehicles	67,988		67,988
Total Expenditures	2,811,964	316,018	3,127,982
Fund Balance - December 31, 2009	\$ 263,170	\$ 183,751	\$ 446,921

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorized the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent for the first six months and 32.97 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009  
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Hardin County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Hardin County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease

The Office of the Sheriff was committed to a lease agreement with Imagistics for two copiers. The agreement requires a monthly payment of \$211 for 60 months to be completed on April 30, 2011. The total remaining balance of the agreement was \$3,165 as of December 31, 2009.

Note 5. Grants

A. Highway Safety

The Sheriff received two federal grants passed through from the Kentucky Transportation Cabinet's Kentucky Office of Highway Safety in the amount of \$5,000 (grant #AL-09-18) and \$750 (grant #CP-09-17) respectively. Funds totaling \$4,623 and \$573 respectively were expended during the year. The unexpended grant balance was \$177 in grant #CP 09-17 as of December 31, 2009.

HARDIN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009  
(Continued)

Note 5. Grants (Continued)

B. Law Enforcement Protection Program (LEPP)

The Sheriff received a LEPP grant from the Kentucky Office of Homeland Security in the amount of \$6,392. Funds totaling \$6,392 were expended during the year.

C. Edward Byrne Memorial Justice Assistance Grant

The Sheriff received a grant from the U.S. Department of Justice (through the Hardin County Fiscal Court) in the amount of \$224,042. The Sheriff drew down \$224,000 during the year. The Sheriff passed down to the Cities of Radcliff and Elizabethtown \$115,302 and \$53,734, respectively as required through an interlocal agreement between the County of Hardin and the Cities of Elizabethtown and Radcliff. The Sheriff expended funds for equipment totaling \$6,663 during the year, leaving a balance at December 31, 2009 of \$48,301.

Note 6. Discretionary Account

The Sheriff has established a discretionary account as provided by KRS 64.345. This fund is to cover additional expenses related to homeland security emergencies, academy graduations, retirements, state and national sheriff's conventions, and extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$1,612, receipts of \$0, expenditures of \$64 and an ending balance of \$1,548 as of December 31, 2009.

Note 7. Drug Forfeiture Account

The Sheriff has an account, which is used for receiving forfeited drug money. This money is used to purchase law enforcement equipment and drug investigations. This account had a beginning balance of \$5,235, revenues of \$0, and expenditures of \$0 and an ending balance of \$5,235 as of December 31, 2009.

Note 8. DARE Account

The Sheriff maintains a Drug Awareness Resistance Education (DARE) Fund, which had a beginning balance of \$4,788. During calendar year 2009, receipts were \$2,510 and disbursements were \$3,311, leaving a balance at December 31, 2009 of \$3,987.

Note 9. Prior Period Adjustment

The beginning fund balance in the 75% operating fund was decreased by \$116,690 from the prior year and 25% county fund was decreased by \$14,338, due to a correction from a prior year mistake.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Hardin County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated July 8, 2010. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements as of December 31, 2009, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Hardin County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

July 8, 2010

